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COUNCIL ON WAGE AND PRICE STABILITY

President Carter signed a reauthorization bill for the Council on Wage and Price Stability, guaranteeing its existence until at least 9/30/80. The legislation, HR 2283, was passed by both houses of Congress after a spirited debate as attempts to authorize funds to extend the life of CWPS beyond 1980 were defeated. As it is, the bill provides a supplemental authorization for fiscal 1979 & 1980. These additional revenues will allow the CWPS staff to increase from its present 39 to 233 members. Another portion of the bill allows wage increases in excess of voluntary guidelines where increased productivity can be "demonstratably linked" to the efforts of labor, not technology.

DEFENSE, DEPARTMENT OF

A final rule revising the Defense Logistics Procurement Regulation to implement the Defense Acquisitions Regulation (DAR) and other DOD publications related to the procurement of goods and services has been issued by the Defense Logistics Agency (see the 5/9/79 Fed. Reg., pp. 27096-101). The revised regulations cover such topics as overpricing, disputes and appeals, minimum standards, and procurement by negotiation. Also included are changes in the exemption requirements of the Cost Accounting Standards Clause. For more information, contact G. Dean Fogle at 202/274-6431.

FEDERAL MARITIME COMMISSION

A proposed rule issued by the FMC which amends financial reports filed by domestic offshore common carriers appeared in the 5/8/79 Fed. Reg., pp. 26944-55. The proposal would allow the determination of a just and reasonable rate of return or profit and includes a certification requirement which calls for a statement by an independent auditor. For additional information contact Francis Hurney at 202/523-5725.

HEALTH, EDUCATION, AND WELFARE, DEPARTMENT OF

Proposed rules which would apply to all HEW direct grant and state-administered programs of the Education Division appeared in the 5/4/79 Fed. Reg., pp. 26298-400. The proposed regulations would advance the objectives of "Operation Common Sense" announced by Secretary Califano and assure that regulations be as simple and clear as possible. The regulations include standards on financial reporting, accounting records, internal control, and the scope of audit reports. Comments are due by 7/3/79. For further information contact Dr. Marcell DuVall at 202/472-7773 or 472-7785.

Action on the Administration's proposal for hospital cost control was canceled by the House Ways and Means Committee on 5/8/79 when Committee Chairman Al Ullman (D-Ore) realized it would not pass. A vote on the measure (HR 2626) was indefinitely postponed to allow its backers time to generate adequate support. Among the amendments under consideration to make the bill more palatable are proposals to give Congress and the HEW Secretary a share in the responsibility for triggering the standby controls, a five-year sunset provision, a change in the noncompliance penalties from criminal to civil, and changes in the discretionary powers given to HEW.

INTERSTATE COMMERCE COMMISSION

The Commission is proposing to expand the disclosure of depreciation policies in the footnotes of annual reports for motor carriers of property and passengers (see the

5/4/79 Fed. Reg., p. 26131). It is designed to avoid excessive depreciation rates which could lead to the imposition of higher rates. Written comment must be received by 6/30/79. For more information contact Bryan Brown, Jr., at 202/275-6236.

PENSION BENEFIT GUARANTY CORPORATION

Legislation (S.1089) to simplify compliance with Federal employee benefit plan requirements has been introduced by Sen. Lloyd Bentsen (D-Tex). The ERISA Simplification Act of 1979 would end the requirement that pension plans file with the PBGC when termination insurance premiums are paid — instead, IRS would collect the premiums as part of the annual report filing requirement. In addition, the summary annual report (SAR) would be abolished and a requirement inserted that the relevant information that would have been contained in the SAR be posted in the workplace for plan participants to read. Other features of the proposal are: the provision of an option to file pension forms at the same time as income tax returns; the preparation of a bookkeeping guide for plan sponsors by IRS, along with a booklet summarizing eligibility for individual retirement accounts; and the extension to the Secretary of the Treasury of the authority to bring a civil action to enforce minimum ERISA Standards.

TRANSPORTATION, DEPARTMENT OF

A final rule which changes and clarifies the reporting requirements of urbanized areas has been published (see the 5/3/79 Fed. Reg., pp. 26050-52). The rule includes changes to the uniform system of accounts and records and reporting system. This rule became effective as of 4/27/79. Additional details are available from Peter Benjamin at 202/472-2435.

TREASURY, DEPARTMENT OF

Treasury Secretary W. Michael Blumenthal predicts a potential 8-1/2% rate of inflation for 1979, perhaps more, according to his wide-ranging prepared remarks before the Senate Appropriations Treasury Subcommittee last week. Noting the 13% increase in consumer prices for the first quarter, Blumenthal conceded that the earlier administration projection of 7.4% inflation for 1979 "was too low." Forecasting continued serious inflation for the next several months, Blumenthal cited three staggering conditions for bringing inflation under control: the moderation of economic growth; maintenance of the stability of the dollar; lessened dependence on oil imports. Touching on other matters, Secretary Blumenthal stated that inventory profits artificially inflated the substantial increase in recently reported corporate profits and are not a significant indication of inflationary pricing activities. He also expressed his personal opinion that tax-free municipal offerings used to supply mortgage money should be limited to lower income and multiple-occupancy financing. He echoed recent Administration concern that the increasing use of this method by municipalities could cause the Treasury to lose substantial billions of dollars in tax revenues.

The Administration's proposed "windfall profits" tax on oil companies has been introduced by House Ways and Means Chairman Al Ullman. The bill (HR 3919) includes the first two parts of the compromise energy tax package: a tax on excess profits gained under oil decontrol and an energy trust fund established with the collected excess profits tax. The committee will defer consideration of proposals to use the new revenues for energy research and technology, establish grants to the poor, and curtail other tax incentives for oil companies.

Hearings on the "windfall profits" tax began last week in both the Senate and the House. The plan received considerable criticism from a Senate Finance subcommittee because it lacked incentives to increase oil exploration. Finance Chairman Russell Long has predicted the tax will be approved this year but only if it contains a "plowback" for the oil companies. Treasury Secretary Blumenthal opened hearings on the energy tax measure before the Ways and Means Committee. That panel appears to be more receptive to the plan and may stiffen the tax before finishing action on the proposal. Chairman Ullman stated he hopes the committee will be able to send the "windfall profits" tax to the full House for action by late June.

Tuition tax relief has been reintroduced in the Senate by four members of the Finance Committee in the form of three separate bills. The first, S.1050, would provide tax credits for tuition costs for college and vocational schools. The second, S.1051, would extend the tax relief for secondary and elementary school tuitions. The third, S.1095, introduced by Sens. Packwood (R-Ore), Moynihan (D-NY), Roth (R-Del), and Ribicoff (D-Conn) would provide a tax credit for all tuition costs. A credit equal to 50% of college and vocational school costs with a $250 maximum in 1980 and 1981 and $500 in 1982 and thereafter as well as a $100 maximum credit in 1981 and $250 credit in 1982 for elementary and secondary schools would be created by S.1095. Tuition tax credit legislation was approved by both the House and Senate in the last Congress but failed to gain ultimate passage when the Senate refused to support credits for elementary and secondary school costs. Similar opposition is expected this session although the four co-sponsors believe some form of tax relief will be enacted.

Depreciation changes in two types of property have been announced (see Rev. Proc. 79-26, in the 4/20/79 Internal Revenue Bulletin). Revisions in the classification, asset guidelines periods, asset depreciation ranges and annual repair allowance percentages relating to industrial steam plants and waste reduction and resource recovery plants were published. The changes are effective for property first placed in service in taxable years beginning after 12/31/78 for taxpayers electing the Class Life Asset Depreciation Range System.

For additional information call:
202/872-8190

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